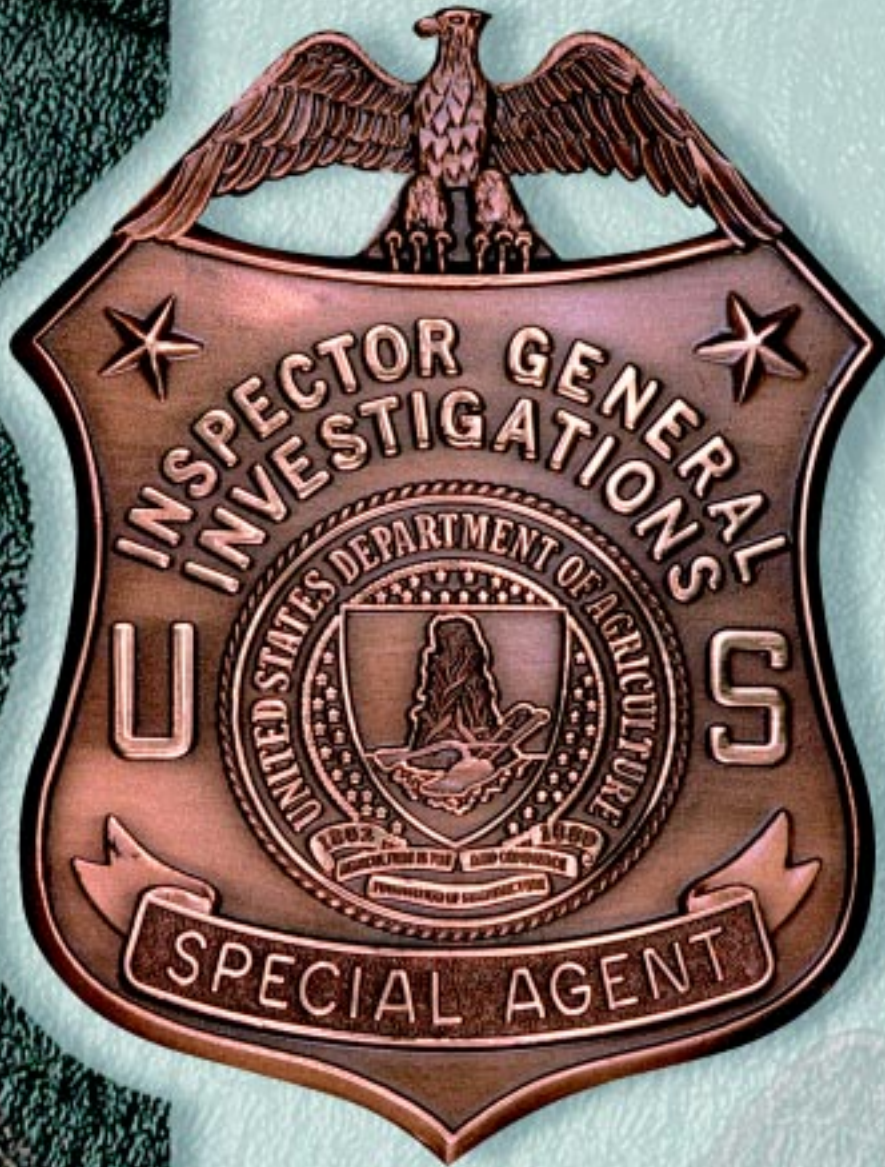


---

# Office of Inspector General Investigations



## Overview and 5-Year Summary

January 2001

---

United States Department of Agriculture  
Office of Inspector General



The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.

---



# Introduction to OIG-Investigations

## OIG Investigative and Law Enforcement Authority

**T**he Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), was administratively established by the Secretary of Agriculture in 1962 following a major criminal fraud scandal affecting several agencies within USDA. OIG was later legislatively established by Congress under the Inspector General Act of 1978 (Public Law [P.L.] 95-452), as amended.

Pursuant to the Inspector General Act of 1978 and Section 1337 of the Agriculture and Food Act of 1981 (P.L. 97-98), OIG-Investigations is the law enforcement arm of the Department, with Departmentwide investigative jurisdiction. OIG Special Agents conduct investigations of significant criminal activities involving USDA programs, operations, and personnel, and are authorized to make arrests, execute warrants, and carry firearms. The types of investigations conducted by OIG Special Agents involve criminal activities such as frauds in subsidy, price support, benefits, and insurance programs; significant thefts of Government property or funds; bribery; extortion; smuggling; and assaults on employees. Investigations involving criminal activity that affects the health and safety of the public, such as meat packers who knowingly sell hazardous food products and indi-

viduals who tamper with food regulated by USDA, are also high-profile investigative priorities. In addition, OIG Special Agents are poised to provide emergency law enforcement response to USDA-declared emergencies and suspected incidents of terrorism affecting USDA-regulated industries, as well as USDA programs, operations, personnel, and installations, in coordination with Federal, State, and local law enforcement agencies, as appropriate. Finally, OIG Special Agents provide physical protection for the Secretary of Agriculture and respond to any threat, intimidation, or assault against the Secretary that occurs in his/her official capacity.

The enactment of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 1996 (P.L. 104-37) authorized OIG to receive funds and property through criminal and civil Federal forfeiture proceedings, and through equitable sharing of forfeited funds and property controlled by the U.S. Department of Justice. Forfeiture proceeds have severe restrictions mandated by statutes and U.S. Department of Justice policy as to how they are used. Forfeiture funds cannot be used in lieu of the OIG's regular appropriations.

## OIG Participation in the Law Enforcement Community

---

- USDA-OIG is the only OIG to assign a Special Agent to *Interpol*, a cooperating network of countries established to facilitate international police matters and provide access to criminal activity files.
- Special Agents participate in the FBI's *Terrorism Task Force*, which provides intelligence information regarding incidents of domestic and international terrorism.
- Special Agents participate in the *Financial Crimes Enforcement Network (FinCEN)*, a resource which provides analytical research services pertaining to financial information and records.
- Special Agents assigned to the Secretary's protection detail belong to the United States Secret Service *Protective Detail Intelligence Network (PDIN)*.

## OIG Hotlines

---

### USDA Hotline

- National receiving point for reports from employees and the general public of criminal activity, fraud, waste, and mismanagement in USDA programs and operations or misconduct by USDA employees
- Toll-free telephone number (1-800-424-9121) can be used during business hours to make a report
- A total of 1,973 complaints received during FY 2000

### Bribery/Assault Hotline

- Toll-free telephone number (1-888-620-4185) can be used 24 hours a day, 7 days a week, to make a report

- Duty Special Agent carries a pager at all times
- OIG Special Agents will respond within 24 hours to allegations of bribery or assault
- OIG Special Agents from field offices are available for immediate response

### Fugitive Hotline

- Toll-free telephone number (1-888-620-4185) can be used 24 hours a day, 7 days a week
- Law enforcement authorities can contact OIG Special Agents to verify the validity of an OIG fugitive warrant and thereby hold a wanted person
- Total number of fugitives currently wanted by OIG = 41

## OIG Secretarial Security

- OIG Special Agents are responsible for providing dignitary protection for the Secretary of Agriculture
- For the time period August 1, 1995, to September 30, 2000, OIG-Investigations processed 242 pieces of threat intelligence consisting of:
  - 137 letters
  - 56 telephone calls
  - 26 pieces of intelligence
  - 23 security incidents



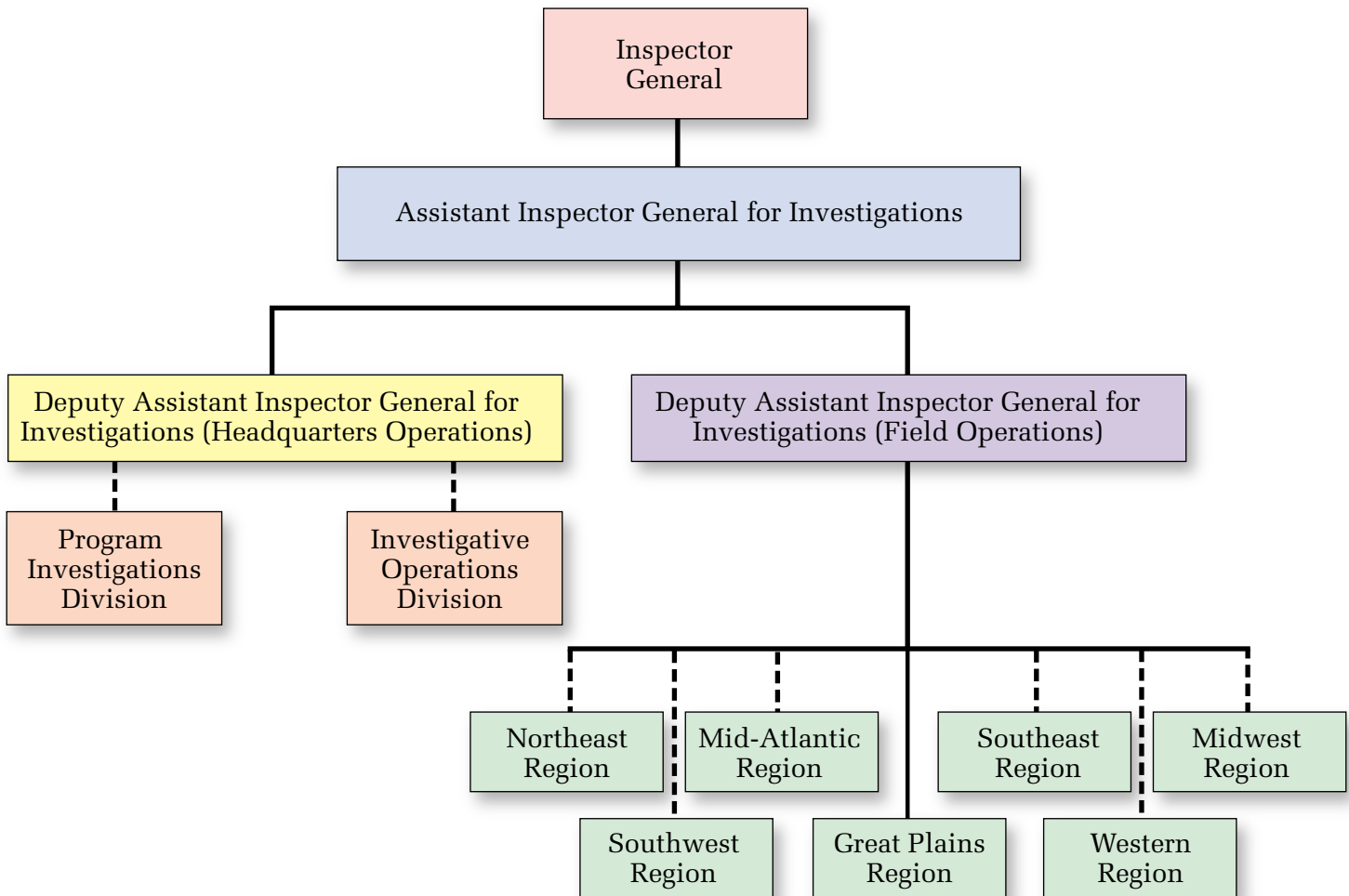
*OIG Special Agents providing protection for former Secretary Glickman in South Africa. USDA photo.*

## Examples of Security Incidents Involving the Secretary

- In 1998, a man sent letters to the Secretary and the Senate Agriculture Committee regarding a \$25.8 million lawsuit he filed against USDA. In the letters, he threatened to utilize deadly force against anyone who attempted to foreclose on his farm. OIG Special Agents conducted a search warrant at the man's farm and found weapons positioned at a number of doors and windows, gas masks, and a receipt for a recently purchased handgun. The man was arrested and charged with threatening USDA employees. He received a psychiatric evaluation and spent 14 months in a psychiatric hospital at a Federal prison. He pled guilty to the charges against him and was sentenced to time served.
- On March 23, 1997, in Bozeman, Montana, a woman threw a bucket of bison entrails at a table where the Secretary, the Governor, and a member of Congress were participating in a forum. The woman was arrested and prosecuted. She was charged in Federal court with assault on a Federal official and sentenced to 2 years' probation and 100 hours' community service. She was also charged by the State for her assault on the Governor and sentenced to 180 days in jail and a fine of \$1,090.
- On May 17, 2000, at a House Agriculture Committee hearing where the Secretary was testifying, a man smashed two glass soda bottles together, and stormed to the front of the gallery, where the Secretary was seated. The man was arrested and charged with assault on a Federal officer and disruption of Congress. An illegal alien, he was deported in lieu of Federal prosecution.
- On May 30, 2000, while the Secretary was giving a speech at the National Nutrition Summit, a woman, who was later identified as a member of the People for the Ethical Treatment of Animals (PETA), jumped on the stage and hit the Secretary with a tofu cream pie and shouted, "Shame on you for pushing meat and promoting animal cruelty." The woman was arrested and charged with assault on a Cabinet official. She was sentenced to 2 years' probation and 500 hours' community service.

# OIG-Investigations Organization Chart

---



## OIG Investigations Staffing

- 7 Regional Offices
- 36 Other Offices (Suboffices and Residence Offices)
- Investigations hiring ceiling = 284
- 264 Investigations Employees (current total), including 215 Special Agents

# **OlG-Investigations** **Regional Office Locations**

## **Northeast Region**

26 Federal Plaza  
 Room 1409  
 New York, NY 10278-0004  
 Phone (212) 264-8400  
 Fax (212) 264-8416

## **Mid-Atlantic Region**

5601 Sunnyside Avenue  
 Suite 2-2230  
 Beltsville, MD 20705-5300  
 Phone (301) 504-2000  
 Fax (301) 504-2025

## **Southeast Region**

401 W. Peachtree Street, NW  
 Suite 2329  
 Atlanta, GA 30308  
 Phone (404) 730-3170  
 Fax (404) 730-3181

## **Midwest Region**

111 N. Canal Street  
 Suite 1130  
 Chicago, IL 60606-7295  
 Phone (312) 353-1358  
 Fax (312) 353-8963

## **Southwest Region**

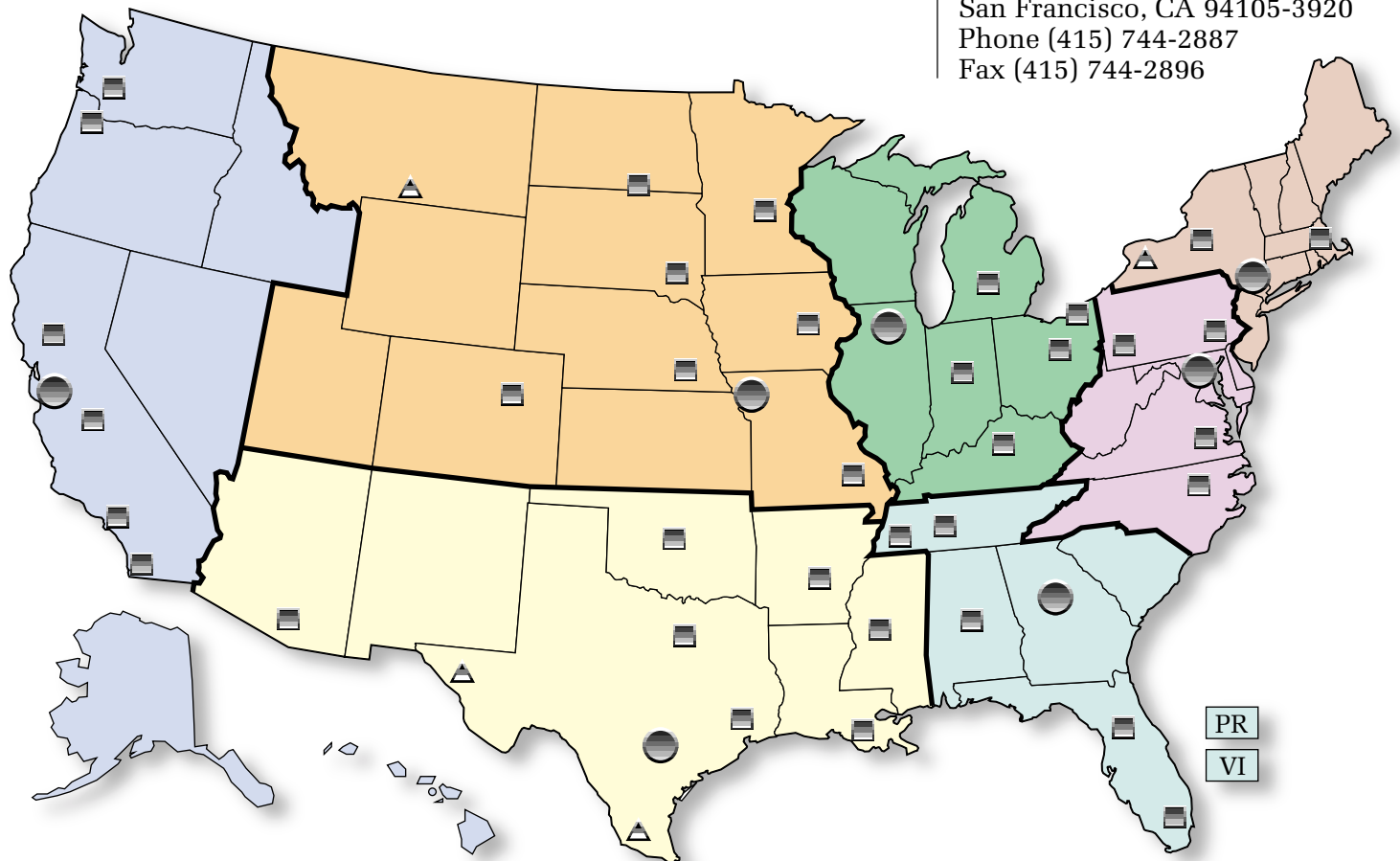
101 South Main  
 Room 311  
 Temple, TX 76501  
 Phone (254) 743-6535  
 Fax (254) 298-1358




## **Great Plains Region**








5799 Broadmoor  
 Suite 700  
 Mission, KS 66202  
 Phone (913) 261-7606  
 Fax (913) 261-7699

## **Western Region**

75 Hawthorne Street  
 Suite 200  
 San Francisco, CA 94105-3920  
 Phone (415) 744-2887  
 Fax (415) 744-2896



-  Regional Office
-  Other Office Locations
-  Proposed Offices

- |   |   |
|---|---|
|  Northeast Region (NER)    |  Western Region (WR)    |
|  Mid-Atlantic Region (MAR) |  Southwest Region (SWR) |
|  Midwest Region (MWR)      |  Southeast region (SER) |
|  Great Plains Region (GPR) |   |





# Investigative Results FY 1996 to FY 2000

## OIG Investigative Initiatives

**Operation Talon** – a nationwide initiative designed and implemented by OIG to locate and apprehend felony fugitives who are current/former food stamp recipients. To date, a total of 6,733 fugitives have been apprehended including many wanted for murder, rape, kidnapping, and drug offenses.



*OIG Agent and local officer transport fugitive arrested during Operation Talon. OIG Photo.*

**Anti-Smuggling Initiative** – a nationwide effort to counteract the smuggling of animals, plants, and agricultural products. Smuggling can result in the introduction of pests, insects, and diseases with the potential to destroy the multibillion-dollar agriculture industry of the United States.

**Bioterrorism Initiative** – based on the potential for an incident of bioterrorism aimed at a USDA facility or the Nation's food supply, OIG is working with other USDA agencies to develop a biosecurity

preparedness plan. OIG's biosecurity/emergency response initiative calls for immediate reaction by teams of OIG Special Agents and other USDA personnel. These teams will respond to the site of the suspected/potential criminal activity to gain quick control over the situation. This response enables OIG to take control of the crime scene, which limits further danger to the public and reduces the possibility that evidence of the criminal activity might be inadvertently destroyed.

**Operation "Kiddie Care"** – a nationwide initiative to identify, remove, and prosecute unscrupulous participants of the Child and Adult Care Food Program (CACFP). To date, the initiative has resulted in a total of 64 indictments, 51 convictions, and \$44.2 million in monetary results.



*This mansion in Palo Verdes, California, is one of four residential properties forfeited by a couple who were convicted of charges related to illegal activities they carried out as officials of a CACFP organization. OIG Photo.*



## Summary of Investigative Results by Fiscal Year FY 96 - FY 00

	FY 96	FY 97	FY 98	FY 99	FY 00	TOTAL
Reports Issued	956	959	817	515	553	3,800
Cases Opened	1,100	895	715	638	646	3,994
Cases Closed	947	965	939	673	758	4,282
Referred for Prosecution	623	673	588	391	376	2,651
Indictments	941	661	776	502	481	3,361
Employee	17	14	22	25	24	102
Non-Employee	924	647	754	477	457	3,259
Convictions*	738	703	601	559	459	3,060
Employee	17	18	23	22	33	113
Non-Employee	721	685	578	537	426	2,947
Arrests	467	429	2,779	2,070	2,616	8,361
Searches	150	197	207	168	192	914
<b>Monetary Results (In Millions)</b>						
Collections/Recoveries	\$21.4	\$38.8	\$11.7	\$10.8	\$14.6	\$97.3
Fines	\$6.6	\$18.4	\$15.9	\$5.9	\$95.1	\$141.9
Restitution	\$36.4	\$21.1	\$43.5	\$37.4	\$59.3	\$197.7
Admin Penalties	\$1.1	\$0.7	\$0.5	\$0.2	\$0.1	\$2.6
Cost Avoidance	\$1.6	\$2.3	\$6.6	\$8.8	\$3.1	\$22.4
Claims Established	\$4.4	\$1.2	\$2.8	\$5.1	\$3.7	\$17.2
TOTAL \$ RESULTS	\$71.5	\$82.5	\$81.0	\$68.2	\$175.9	\$479.2
<b>Administrative Sanctions</b>						
Employees	61	67	80	68	74	350
Businesses	2,884	2,783	3,359	2,250	3,626	14,902

\*Includes Pre-trial Diversions.

# Total Results of OIG Investigations, by Agency FY 96-FY 00

Agency	Reports	Arrests	Convictions	Indictments	Sanctions	\$ Result
AMS	51	81	79	103	33	\$4,895,551
APHIS	110	22	36	50	33	\$2,102,057
ARS	28	6	7	11	22	\$561,514
CSREES	5	1	1	2	6	\$12,624
FAS	19	5	13	14	11	\$38,612,854
FNS	2,429	8,155	2,369	2,603	14,749	\$277,461,392
FSA	566	48	298	307	129	\$98,448,541
FS	58	6	12	20	37	\$298,916
FSIS	146	12	73	68	67	\$7,706,439
GIPSA	7	0	6	5	9	\$23,120
HRM	1	0	0	0	1	\$0
Multi	4	0	4	1	4	\$680,583
NAD	1	0	0	0	0	\$0
NASS	2	0	1	1	2	\$2,268
Non-USDA	6	2	3	3	1	\$3,126
NRCS	37	5	18	21	41	\$7,140,125
OBPA	1	0	1	1	1	\$50
OC	1	0	0	0	0	\$0
OCIO	3	1	1	1	0	\$0
OCR	4	0	0	0	2	\$0
OGC	2	0	0	0	0	\$0
OIG	68	1	2	2	0	\$50
OO	5	0	4	4	0	\$575,309
RBS	9	0	4	3	1	\$148,818
RHS	162	14	71	66	67	\$20,323,488
RMA	64	0	32	41	33	\$7,160,404
RUS	8	0	2	8	0	\$6,900
SEC	4	3	23	27	3	\$13,074,771
<b>TOTAL</b>	<b>3,801</b>	<b>8,362</b>	<b>3,060</b>	<b>3,362</b>	<b>15,252</b>	<b>\$479,238,900</b>

## AGENCY NAMES

AMS	Agricultural Marketing Service	NASS	National Agricultural Statistics Service
APHIS	Animal and Plant Health Inspection Service	Non-USDA	Cases involving non-USDA agencies
ARS	Agricultural Research Service	NRCS	Natural Resources Conservation Service
CSREES	Cooperative State Research, Education, and Extension Service	OBPA	Office of Budget and Program Analysis
FAS	Foreign Agricultural Service	OC	Office of Communications
FNS	Food and Nutrition Service	OCIO	Office of Chief Information Officer
FSA	Farm Service Agency	OCR	Office of Civil Rights
FS	Forest Service	OGC	Office of the General Counsel
FSIS	Food Safety and Inspection Service	OIG	Office of Inspector General
GIPSA	Grain Inspection, Packers & Stockyards Administration	OO	Office of Operations
HRM	Human Resources Management	RBS	Rural Business-Cooperative Service
Multi	Cases involving multiple agencies	RHS	Rural Housing Service
NAD	National Appeals Division	RMA	Risk Management Agency
		RUS	Rural Utilities Service
		SEC	Office of the Secretary

# Examples of Major OIG Investigations FY96 – FY00

## Public Corruption

- OIG broke up an organized bribery enterprise at the Hunts Point Terminal Market in the Bronx, New York, where, for up to 20 years, wholesalers had bribed Agricultural Marketing Service (AMS) graders to downgrade loads of produce. Nine graders and 13 owners or employees of wholesale firms have been convicted. Seven graders have been sentenced to prison terms from 15 to 30 months and fines from \$4,000 to \$70,000, and two graders are awaiting sentencing. Three wholesalers have received sentences ranging from 6 months' home confinement to 15 months in prison, and a total of \$45,000 in fines/restitution. One wholesaler was acquitted, and another is awaiting trial.
- Twelve people in Kentucky, including the Farm Service Agency (FSA) County Executive Director (CED) and an FSA Program Assistant, pled guilty to defrauding three FSA programs out of about \$850,000 over a 9-year period. All 12 were sentenced to terms ranging from probation to 57 months in jail and ordered to pay fines and restitution totaling over \$600,000. Only one was a farmer.
- In West Virginia, nine individuals, including an FSA Agricultural Credit Manager and an Agricultural Credit Technician, were convicted of defrauding the Government of about \$2 million in guaranteed loans. The two employees helped the applicants by forging signatures and manipulating figures to make the applicants qualify for loans. One FSA employee went to jail for 14 months and a local bank official for 15 months. The borrowers were ordered to make full restitution.
- A former Forest Service Aviation Safety and Training Manager and a self-employed aircraft broker were found guilty of conspiracy to defraud the Forest Service of 28 aircraft worth from \$22 million to \$28 million through false statements, mail and wire fraud, and bribery. They created an illegal Historic Aircraft Exchange Program and used it to trade surplus aircraft

with air tanker companies for non-flight-worthy aircraft. The former employee was sentenced to 2 years in prison, and the aircraft broker to 30 months in prison. The case was reversed on appeal based on a technicality, in that the judge did not properly instruct the jury. However, the former employee had already served his time and the broker had served the majority of his time, but was released a few months early. The U.S. Attorney's Office is in the process of deciding whether to retry the case.

- A Natural Resources Conservation Service (NRCS) budget officer in Texas was sentenced to 18 months in prison and \$311,000 in restitution, after he pled guilty to embezzling more than \$300,000 from NRCS.
- A former FSA CED was sentenced to prison for 18 months and full restitution, after she pled guilty to embezzling \$230,000 over 5 years.

## Workplace Violence

- The owner of a sausage factory in California is in jail awaiting trial after he was arrested for killing two Food Safety and Inspection Service (FSIS) compliance officers and a State investigator, who were there to discuss suspected Federal and State meat violations. The man also tried to kill a State inspector.
- A Federal jury found an Oklahoma landowner guilty of second-degree murder, after he shot and killed a neighbor who was helping an NRCS district conservationist check on fencing around a conservation project. The jury also convicted the man of assault of a Government employee for holding the NRCS employee at gunpoint.
- A California man was convicted and sentenced to 1 year in Federal prison for threatening to kill FSIS compliance officers at his custom slaughter facility. The threat occurred 2 months after he appeared to try to run two compliance officers off the road.



## Public Health and Safety

- A Florida meat processing plant employee pled guilty after an OIG investigation showed that employees adulterated meat by adding a commercial sanitizer to kill all bacteria in USDA samples, disguising the age of hundreds of cases of products up to 2 years old that were shipped to the school lunch program and the Department of Defense, and compromising samples collected for fat analysis by USDA. The investigation also found the plant's owner secretly added about 10-percent water weight to ground meat. The plant's owner committed suicide after OIG executed a search warrant at his plant. At least one Georgia school child got sick after eating ground beef supplied by this plant, beef which later tested positive for *E. coli* 0157:H7. More than 6 million pounds of ground product was recalled and destroyed, and the plant was closed.
- Two owners of a large meat company in Philadelphia were sentenced for skimming \$2.7 million from their company and concealing their income, as well as misbranding cheaper cuts of beef and pork sold to the military and the public. They were ordered to pay \$1.5 million in restitution and fined \$724,000. One owner was sentenced to 60 days in prison and the other to 1 year of home confinement.
- A man was indicted on a Federal criminal charge of tampering with food products for placing sewing needles in ground beef, fruit, and bakery items in an Iowa grocery store. Eighteen OIG agents worked round-the-clock with local police for up to 4 weeks to identify him.
- Three individuals and a company in California were convicted of operating a "4D" operation, where they bought dead, dying, diseased, or disabled cattle which were slaughtered under unsanitary conditions. The adulterated meat was taken after hours to a sausage factory, where it was mixed in with previously inspected meat. Some of the meat was sold to the military under contract. Almost 900,000 pounds of meat was destroyed, and the sausage factory was shut down. The sausage factory owner agreed to pay a

consent judgment of \$500,000 on behalf of the company and \$258,000 in personal restitution.

- A California company, its president, and sales manager pled guilty to conspiracy for substituting cheaper Mexican strawberries for U.S. domestic strawberries in the school lunch program. The strawberries were found to be contaminated with the hepatitis A virus and sickened about 190 elementary school children in Michigan. The president was sentenced to 10 months in prison and fined \$13,000. The former sales manager was placed on 5 years' probation. The company was ordered to pay \$350,000 in fines and restitution, and agreed to pay \$1.3 million in a civil settlement.

## Farm and Export Fraud

- A prominent international grain company in New York paid \$25 million to the U.S. Government in settlement of potential civil claims, and its foreign affiliate paid a \$10 million fine after pleading guilty to a criminal charge of conspiracy to defraud USDA. Three associated entities agreed to permanent debarment from Federal programs. The settlement was the culmination of a series of investigations into fraud related to the export of commodities to Iraq through programs administered by the Foreign Agricultural Service (FAS) on behalf of the Commodity Credit Corporation (CCC). The investigations had previously led to five criminal convictions and a \$1 million fine.
- A major multinational food company headquartered in Omaha, Nebraska, pled guilty to adulteration, misgrading, and misweighing of grain, and agreed to pay \$8.3 million in fines and penalties. The company also knowingly added water to grain inventories to increase the grain's weight and company profits. Four former managers pled guilty to various charges, and one was sentenced to 15 months in prison. A large portion of the company's penalties was disbursed to 4,000 farmers cheated by the company's schemes.

- A “Montana Freeman” and a codefendant pled guilty in North Carolina to felony charges of mail fraud and money laundering for their roles in a tobacco fraud scheme involving the illegal sale of over 20 million pounds of excess tobacco. A jury awarded the Government the defendant’s residence, valued at \$1.95 million, and \$3 million in cash or substitute assets, as well as a quarter horse that had cost over \$500,000. A total of 25 people were convicted in the massive conspiracy. FSA State officials also assessed tobacco marketing-quota penalties of more than \$50 million against over 100 flue-cured tobacco warehouses. OIG’s information laid the groundwork for another Federal prosecution of the Freeman, which resulted in sentences of 12 years in prison for him and 30 years in prison for an associate.
- The owner of several cotton warehouses in Georgia and South Carolina was sentenced to 35 months in Federal prison for trying to defraud nearly 140 farmers out of cotton and sales proceeds worth more than \$9 million. He pled guilty to 32 felony counts involving mail fraud, wire fraud, and money laundering. He must also pay restitution of over \$4 million. Congress awarded a special appropriation of \$5 million, to be matched by the States, to reimburse losses sustained by the farmers.
- An Idaho honey producer pled guilty to submitting false statements to FSA to obtain over \$6 million in loans and subsidy payments. He was sentenced to serve 2 years 4 months in prison and pay \$3 million in restitution. He fled the day before he was scheduled to report to prison. A month later, he was located in Montana, arrested, and transported to a Federal penitentiary.
- Assets worth an estimated \$6 million were seized from the vice president of a North Carolina vegetable oil supply company after he, a plant manager, and a former USDA grain inspector were convicted of conspiring to underfill contracts to deliver vegetable oil to the Commodity Credit Corporation (CCC). CCC was defrauded of over \$2 million in vegetable oil through the

scheme. All three individuals were convicted and sentenced to 34 to 81 months in prison, and the vice president was ordered to pay restitution of over \$1 million.

- A New York City grain trader pled guilty to making false statements to FAS about the price of wheat being sold to Yemen, which resulted in FAS overpaying his firm about \$1.4 million through the Export Enhancement Program. His company paid the Government over \$7 million to settle civil claims.
- A 4-year-long investigation in Louisiana resulted in 39 people being indicted and convicted and 14 others being placed in pretrial diversion programs for crop insurance fraud. These 53 individuals were ordered to pay more than \$1.3 million in restitution on \$3.7 million in false insurance claims. A local crop insurance agent was sentenced to 12 months and 1 day in prison for coaching local farmers in how to file false loss claims on crop insurance policies he sold them.

## Smuggling

- A fruit exporting firm, one of its officials, and another individual in Washington State were sentenced to pay \$1.2 million in fines and \$300,000 in Perishable Agricultural Commodities Act (PACA) penalties after they pled guilty to making false statements and trafficking in counterfeit goods. They had smuggled uninspected New Zealand-grown apples into Taiwan after importing them into the United States, reboxing them in Washington State apple boxes, and shipping them with false USDA and commercial documents.
- Two owners and their company operating a horse export/import business in Virginia and Germany pled guilty to smuggling and providing false information concerning the age of horses being exported from Germany to avoid quarantine. The Government seized the owners’ horse farm in Virginia, valued at \$1.2 million, which the owners forfeited to pay damages.

---

## Food Programs

- A \$71 million summary judgment was issued against two prominent Cleveland businessmen, who are now fugitives in Jordan, for illegally trafficking in \$24 million in food stamps and vouchers in the Special Supplemental Food Program for Women, Infants and Children (WIC). They were also charged with money laundering a total of \$4.3 million, hiring unauthorized aliens, and tax charges. Their attorney made a separate out-of-court settlement of \$275,000 for his involvement.
- In a food stamp trafficking conspiracy involving 20 authorized stores in New York City, food stamps worth \$63 million were fraudulently redeemed by 44 defendants who owned and/or worked in stores in Manhattan, Brooklyn, and the Bronx. Money used in the trafficking was derived from drug trafficking proceeds. To date, 35 defendants have been convicted, including three bank officials.
- A bookkeeper and two retail firm owners in Los Angeles pled guilty to various tax and/or food stamp charges. One retailer was sentenced to 27 months in prison and \$3 million in restitution, the other to 9 months in prison and restitution of \$4.1 million. OIG linked over 100 retailers to the same bookkeeper, who was furnishing false information to hide retailers' food stamp activity. OIG suspects food stamps worth up to \$50 million were redeemed by 24 of these retailers.
- In Detroit, a grocery store owner pled guilty to conspiracy to traffic in food stamps, after he laundered \$13 million worth of food stamps through his store. He and owners of six other stores purchased and transferred among their stores illegally acquired food stamps totaling \$24 million. He was sentenced to 2 years in jail and ordered to pay \$13 million in restitution.

- In Michigan, the president of a multicenter day care operation was sentenced to 9 years in prison and ordered to pay \$13.5 million in restitution, a \$10 million fine, and a special assessment of \$3,150 for defrauding the Child and Adult Care Food Program (CACFP) through false claims. The jury also awarded forfeiture of over \$1.1 million in cash and three properties. The president's assistant was sentenced to 15 months in prison and \$13.5 million in restitution.
- In California, a husband and wife were sentenced to 2 years and 3 years in prison, respectively, for mail fraud involving CACFP. They were also ordered to pay \$2.2 million in restitution and forfeited four residential properties purchased with illegal income, including a mansion in Palos Verdes, California (see photo on pg. 6.) The woman had been a State official in the division that oversaw the CACFP program. Two additional sponsor officials were sentenced to 7 months each in prison, and ordered to pay a total of \$60,000 in restitution.

## Rural Housing

- In Pennsylvania, the general partner of a management company was found to have withdrawn more than \$1.3 million from Rural Rental Housing (RRH) accounts to fund private real estate ventures that were losing money. He pled guilty to nine counts of false statements. He had planned, built, and managed 32 RRH apartment projects in 5 States.
- A management agent in Maine was sentenced to 20 months in prison for removing \$700,000 from eight RRH projects for his personal use. He was ordered to pay \$375,000 in restitution. He agreed to exempt about \$500,000 from discharge in his chapter 7 bankruptcy case and pay USDA what he owes it.



# USDA Hotline

**REPORT VIOLATIONS OF LAWS AND REGULATIONS RELATING TO USDA PROGRAMS**

- ✓ Criminal Activity, such as:
  - Bribery
  - Smuggling
  - Theft
  - Fraud
  - Endangerment of Public Health or Safety
- ✓ Mismanagement / Waste of Funds
- ✓ Workplace Violence
- ✓ Employee Misconduct
- ✓ Conflict of Interest

call ➤

**800.424.9121**

**202.690.1622**

**202.690.1202 (TDD)**

or

write ➤

**United States Department of Agriculture  
Office of Inspector General  
PO Box 23399  
Washington, DC 20026-3399**

website ➤

**[www.usda.gov/oig](http://www.usda.gov/oig)**

reward ➤

Cash rewards may be paid for information leading to the conviction of individuals involved in the commission of particular felonies.

The identity of writers and callers is protected under the provisions of the Whistleblower Protection Act of 1989.



United States Department of Agriculture • Office of Inspector General